

## Message Text

CONFIDENTIAL

PAGE 01 STATE 051329  
ORIGIN EUR-12

INFO OCT-01 EA-07 ISO-00 SS-15 NSC-05 SSO-00 NSCE-00 AID-05  
EB-08 TRSE-00 OMB-01 INR-07 INRE-00 /061 R

DRAFTED BY TEXT RECEIVED FROM WHITE HOUSE  
APPROVED BY EUR:MR. BARBOUR  
EA/J:WCSHERMAN  
S/S:MR. SEBASTIAN

-----082247Z 077647 /66-62

O 082211Z MAR 77  
FM SECSTATE WASHDC  
TO AMEMBASSY TOKYO IMMEDIATE

C O N F I D E N T I A L STATE 051329

E.O. 11652: GDS

TAGS: PO, PFOR, EAID, JA

SUBJECT: CONSORTIUM LOAN FOR PORTUGAL

1. PLEASE DELIVER IMMEDIATELY FOLLOWING LETTER TO PRIME MINISTER FROM THE PRESIDENT.
2. QUOTE. DEAR MR. PRIME MINISTER: I WOULD LIKE TO RAISE WITH YOU PERSONALLY THE QUESTION OF BALANCE OF PAYMENTS ASSISTANCE TO PORTUGAL, WHICH I BELIEVE IS NECESSARY TO HELP STABILIZE THAT COUNTRY'S ECONOMY AND PREVENT A REVERSAL OF ITS CURRENT POSITIVE POLITICAL EVOLUTION.
3. WITH THE SUPPORT OF THE OTHER OECD COUNTRIES, PORTUGAL HAS MADE GREAT STRIDES TOWARD THE RESTORATION OF DEMOCRACY. HOWEVER, THE SITUATION REMAINS UNCERTAIN. PRIME MINISTER SOARES IS FACING A DIFFICULT PERIOD IN WHICH ECONOMIC DISTRESS -- COUPLED WITH HIS EFFORTS TO RELIEVE IT -- FOSTER POLITICAL ELEMENTS WHICH DO NOT SUPPORT PORTUGUESE

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DEMOCRACY.

4. SEVERAL OECD COUNTRIES HAVE ALREADY PROVIDED SUBSTANTIAL SHORT TERM FINANCING. HOWEVER, IT WILL TAKE TWO OR THREE YEARS BEFORE PORTUGAL'S ECONOMIC PROGRAM CAN REACH A POINT WHERE THE LARGE BALANCE OF PAYMENTS DEFICIT CAN BE FINANCED THROUGH NORMAL MEANS. OUR PROJECTIONS INDICATE

THAT DURING THIS PERIOD ROUGHLY 1.5 BILLION DOLLARS OF  
ADDITIONAL OFFICIAL MEDIUM TERM FINANCING WILL BE  
REQUIRED.

5. NO COUNTRY CAN PROVIDE ASSISTANCE ON SUCH A SCALE, NOR  
DO PORTUGAL'S DRAWING RIGHTS FROM THE INTERNATIONAL MONE-  
TARY FUND APPROACH THIS AMOUNT. A COMMON EFFORT BY AS  
MANY NATIONS AS POSSIBLE WILL BE REQUIRED TO PROVIDE  
NECESSARY ECONOMIC AND POLITICAL SUPPORT.

6. IN OUR VIEW, THE ANSWER TO THE BALANCE OF PAYMENTS  
PROBLEM IS A BROAD CONSORTIUM OF LENDING COUNTRIES WHICH  
WOULD PHASE ITS SUPPORT TO ENCOURAGE THE SORT OF ECONOMIC  
POLICIES THAT WILL QUALIFY PORTUGAL FOR HIGHER TRANCHE  
DRAWINGS FROM THE INTERNATIONAL MONETARY FUND. AS YOU  
KNOW, PRIME MINISTER SOARES STRONGLY FAVORS THIS APPROACH.  
WE ALSO HAVE PRELIMINARY INDICATIONS OF SUPPORT FROM THE  
UNITED STATES CONGRESS THAT LEAD ME TO BELIEVE THE  
UNITED STATES COULD PROVIDE ROUGHLY ONE THIRD OF THE 1.5  
BILLION DOLLARS NEEDED FOR SUCH A CONSORTIUM. PARTICIPA-  
TION BY JAPAN IN SUCH AN ARRANGEMENT WOULD BE OF IMMENSE  
VALUE, FOR BOTH ECONOMIC AND POLITICAL REASONS.

7. MR. PRIME MINISTER, I HOPE THAT YOU WILL GIVE THIS  
MATTER YOUR PERSONAL ATTENTION AND PERMIT DISCUSSIONS  
BETWEEN OUR TWO GOVERNMENTS ON THE PROPOSED CONSORTIUM TO  
BEGIN AS RAPIDLY AS POSSIBLE. I THINK YOU WILL AGREE WITH  
ME THAT ACTIVE JAPANESE PARTICIPATION IN THE CONSORTIUM  
WOULD BE A SIGNIFICANT ACT OF SOLIDARITY WITH THE OTHER  
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INDUSTRIALIZED DEMOCRACIES, PARTICULARLY THE EUROPEAN  
COMMUNITY WHICH IS HEAVILY COMMITTED TO ENSURING THE  
SUCCESS OF PORTUGAL'S EFFORTS TO BUILD A TRULY VITAL  
DEMOCRACY.

8. I APPRECIATE YOUR PERSONAL INTEREST IN THIS MATTER OF  
IMPORTANCE TO US ALL. SINCERELY, JIMMY CARTER. END  
QUOTE.

9. SIGNED COPY BEING POUCHED.  
VANCE

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PAGE 01 STATE 051329  
ORIGIN EUR-04

INFO OCT-01 ISO-00 /005 R

66011

DRAFTED BY EUR/WE/KSMITH

APPROVED BY EUR/WE/EMROWELL

-----092154Z 092497 /70

O 091928Z MAR 77

FM SECSTATE WASHDC

TO AMEMBASSY LISBON IMMEDIATE

C O N F I D E N T I A L STATE 051329

FOL RPT STATE 051329 ACTION TOKYO 8 MAR 77 QUOTE

C O N F I D E N T I A L STATE 051329

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POINT WHERE THE LARGE BALANCE OF PAYMENTS DEFICIT CAN BE FINANCED THROUGH NORMAL MEANS. OUR PROJECTIONS INDICATE THAT DURING THIS PERIOD ROUGHLY 1.5 BILLION DOLLARS OF ADDITIONAL OFFICIAL MEDIUM TERM FINANCING WILL BE REQUIRED.

5. NO COUNTRY CAN PROVIDE ASSISTANCE ON SUCH A SCALE, NOR DO PORTUGAL'S DRAWING RIGHTS FROM THE INTERNATIONAL MONETARY FUND APPROACH THIS AMOUNT. A COMMON EFFORT BY AS MANY NATIONS AS POSSIBLE WILL BE REQUIRED TO PROVIDE NECESSARY ECONOMIC AND POLITICAL SUPPORT.

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UNQUOTE VANCE

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## Message Attributes

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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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**Enclosure:** n/a  
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**Message ID:** 851cfebb-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**TAGS:** PFOR, EAID, PO, JA  
**To:** TOKYO  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
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22 May 2009  
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